

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BOGOTA 08087 261736Z

14

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 /085 W

----- 083291

R 252207Z AUG 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 408

LIMITED OFFICIAL USE BOGOTA 8087

EO 11652: GDS

TAGS: EFIN CO

SUBJ: REFINEMENTS TO THE 1974 TAX REFORM

1. THE GOC WILL INTRODUCE TO CONGRESS SEVERAL REFINEMENTS TO 1974 TAX REFORM PACKAGE. MOST IMPORTANT REFINEMENT WILL BE A BUILT IN 8 PERCENT DE-ESCALATION OF TAX BRACKETS TO PROTECT PROGRESSIVITY OF THE INCOME TAX. THE GOC CONSIDERS 8 PC A NATURAL RATE OF INFLATION FOR COLOMBIA AND SUFFICIENT TO PROTECT THE LOWER INCOME TAX PAYERS FROM RAPID ESCALATION OF THEIR TAX BRACKET THROUGH INFLATION. GOC WILL NOT INDEX SYSTEM, HOWEVER, AS THEY WANT TO PRESERVE THE BUILT IN STABILIZATION EFFECT OF A PROGRESSIVE TAX. THE OTHER MAJOR CHANGE MAY BE A REDUCTION OF THE CORPORATE TAX RATE TO BRING CORPORATE TAX BURDEN IN LINE WITH BURDEN ON OTHER FORMS OF BUSINESS ORGANIZATION.

2. DIRECTOR OF GENERAL TAXES GUILLERMO PERRY TOLD PRESS THAT THE MEASURES WERE DESIGNED INTO THE REFORMS FROM THE INCEPTION BUT COULD NOT BE DECREED UNDER EMERGENCY POWERS BECAUSE THEY

DEALT WITH THE FUTURE. NEVERTHELESS, WHEN THE PRESS REPORTED THAT THE GOVT WAS STUDYING MEASURES TO EASE THE TAX BURDEN, PRESSURES ON THE GOC FOR SPECIAL CONSIDERATION INTENSIFIED ONCE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BOGOTA 08087 261736Z

AGAIN.

3. THE PRESS REPORTED THAT THE GOC WAS CONSIDERING EASING PRESUMPTIVE TAX ON CORPORATIONS IN "SPECIAL CIRCUMSTANCES". THE PRESUMPTIVE TAX HAS BEEN THE SOURCE OF MOST COMPLAINTS, WITH FREQUENT CITING OF STATISTICS ON THE ELIMINATION OF MANY CORPORATIONS BECAUSE OF EXCESS TAX BURDEN. THE VANISHING CORPORATIONS ACCORDING TO PERRY WERE LARGELY DUMMIES SET UP TO CHANGE INCOME INTO PREVIOUSLY TAX FREE CAPITAL GAINS. CORPORATIONS THAT SHOW LOSSES WILL CONTINUE TO HAVE TO PAY THE PRESUMPTIVE TAX. (THESE TAXES CAN BE CARRIED FORWARD AS LOSSES AND APPLIED TOWARD TAXES ON EARNINGS IN EXCESS OF 8 PERCENT.)

4. PERRY IS PLEASED WITH THE RESULTS OF THE TAX REFORM, AS WELL AS HE MIGHT BE FOR REAL REVENUES ARE RUNNING 20 PERCENT ABOVE WHAT THEY WOULD HAVE BEEN WITHOUT THE REFORM. WHILE HE EXPECTS EXPERTISE IN TAX EVASION TO GRADUALLY INCREASE, PERRY BELIEVES THAT THE ELASTICITY OF THE SYSTEM WILL REMAIN GREATER THAN ONE, PARTLY BECAUSE OF THE PROGRESSIVITY AND PARTLY BECAUSE OF GRADUALLY IMPROVING ADMINISTRATION. THESE ADJUSTMENTS ARE BEING UNDERTAKEN TO PROTECT THE INTEGRITY OF THE TAX REFORM FROM SPECIAL INTERESTS AS WELL AS FROM INFLATION. PERRY EXPRESSED THE CONCERN THAT WERE IT NECESSARY TO ADJUST THE TAX BRACKETS PERIODICALLY IN CONGRESS, THE SYSTEM WOULD BE GRADUALLY ERODED BY SPECIAL ATTACHMENTS AND LOOPHOLES. THESE DEVELOPMENTS AND THE TAX REFORM IN GENERAL REFLECT THE ROLE OF THE TECHNOCRAT IN THE LOPEZ GOVT. THESE LARGELY US TRAINED, AND YOUNG SPECIALISTS (BOTERO CAN BE COUNTED AMONG THEM) ARE CONTINUING TO PUT THEIR STAMP ON THIS GOVERNMENT.

VAKY

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX REFORMS, TAX CHANGES, TAX BURDEN  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BOGOTA08087  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750295-0842  
**From:** BOGOTA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750819/aaaaaqkc.tel  
**Line Count:** 90  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REFINEMENTS TO THE 1974 TAX REFORM  
**TAGS:** EFIN, CO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006